bills of exchange maturing in not more than three months and bearing not less than two solvent names.

The novel feature of the German sj'stem of circulation is the authority given to the Imperial Bank to exceed the statutory limit of note issue without metallic security, upon the payment of a tax at the rate of five per cent, per }*ear upon the excess of circulation. Weekly reports are required by the government and upon the excess of circulation shown above the limit a tax of *-£$* per cent, is at once assessed, representing approximately the tax for a single week at the rate of five per cent, a year. This provision permits increased issues when there is stringency enough in the money market to carry current discount rates above five per cent, but drives the new notes promptly out of circulation when the discount rate falls. The operation of the rule, which has been several times availed of by the Imperial Bank and by other German banks, has proved salutary in averting such stringency as lias been felt in England tinder the Act of 1844, while it has kept the circulation within the limits set by the needs of business.[1]

The local banks of Germany were brought by the law of 1875 under the same rules as the Imperial Bank and drastic regulations were enforced to compel them to comply with the new law or abandon the issue of circulating notes. The purpose of the new legislation, to bring the control of the bank-note circulation as soon as practicable into the hands of the Imperial Bank, was indicated by the declaration that the power to issue bank-notes or to increase circulation beyond the limit already authorized by the various states should be granted only by a law of the Empire. Prussia was almost supreme in the Federal Council and there was little likelihood that she would consent to any law increasing the circulation of the local banks. The long duration of the privilege accorded to some of them was cut off by a provision that their privileges should be subject to revocation on January i, 1891,

[1] The example of Germany was followed in this provision by Austria-Hungary and Japan iu the revision of their bank charters.